

Factors Influencing the Choice of Life Insurance Company by Indian Customers: An Empirical Study in Madhya Pradesh

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Abstract:

The Indian life insurance industry is one of the fastest growing insurance industries in the world. After long wait and deregulation of industry, allows the entry of private life insurance companies and witnessed significant double digit annual growth rate (CAGR) of nearly 15 percent in FY 2020 (IBEF Report,2020). At present, there are 24 private life insurers operating in Indian life insurance market and all are giving tough competition to each other in order to secure more percentage of market share. The present study has empirically examined the factors which influence the choice of Indian customers towards investment in different life insurance companies. The research is both exploratory and descriptive in nature and relied on both primary and secondary data. A well-structured questionnaire was designed based on five point Likert scale and total sample size was 150 selected through purposive sampling method from two main cities i.e. Jabalpur and Bhopal cities of Madhya Pradesh. The primary data was collected from those respondents who owned at least one or two life insurance policy of different life insurance company. The findings of the study reveals that company market reputation and trust, product price and features, policy terms and conditions, claim settlement ratio and sale related services are some of the factors found to be majorly considered by the customers while making investment in any life insurance company. The paper concludes that most of the policyholders or customers get attracted with product benefits and premium rate, rate of return from policy and tax benefits while choosing any life insurance company. Customer is the king in insurance market and therefore satisfying changing needs of customers is the main success factor in this sector.

Keywords: Life Insurance, Indian Customers, Company reputation, Premium price and Sales services.

Introduction:

Life insurance sector in India is booming with the entry of large number of private players along with the Joint ventures with foreign insurers and recorded exponential growth in business. (D Sidhardha, M Sumanth, 2017). With several reforms and deregulation of the Industry, has opened up for competition from Indian private insurance companies and brings tremendous progress with double digit growth. The monopoly of LIC ends with the entry of large number of private life insurance companies and giving strong competition to public owned company LIC in terms of product offerings and services. Life Insurance is one of the important financial instruments as it provides financial security to an individual or family against uncertain life risks such as accident or death. Life insurance also offers other benefits like help in long term financial support, aid in long term savings and also give benefit of tax saving option. India's Insurance

sector is the second largest mobilization of savings after banks and contributes more than 15 percent of gross domestic product savings (P. Arul Minash Rajkumar et.al., 2014). Presently, there are total 25 life insurance companies operating in India, out of them there are 24 private life insurance players and one public sector company i.e. LIC (IRDA website). Life insurance is mainly a customer oriented business and success of life business depends on the extent to which customers are satisfied to the company's product offerings and their services. (P. Arul Minash Rajkumar, 2014). The Indian economy is consisting of individuals who are mainly belongs to the middle class segment and are salaried in nature. For them, life insurance has been considered as the best and unique financial tool in managing the savings and to protect against the life risks (Guru. P, 2018). Since customers are becoming more aware and demanding, it has become now important for the insurance companies to determine the factors which are critical to the customers for choosing a company (Prajapati. K et.al., 2013). In order to prevent the movement of customers and attracting the new ones, it becomes crucial for the insurance companies to clearly depicts the preferences of the customers in terms of type of policy and quality of services required by them (Sahu. P., 2009 & Negi., 2012). This study is an attempt towards finding out what factors mostly influence customers in choosing Life Insurance Company. To achieve the objective, many factors have been considered by the researcher such as product benefits, customer services, ease of technology and company reputation.

Review of Literature:

Economy of any country depends on the performance of its financial system. Banking and Insurance are two major pillars of Indian financial system. Life insurance is a significant form of insurance and essential for every person. According to Reddy. Y.V et.al. 2014, examines the switching behavior of the life insurance policy holders. For this purpose data has been collected from 200 respondents who are life insurance policyholders of North Goa. Findings of the study indicate that the demographic factors play an important role in deciding about preference towards any life insurance company. Changing behaviour of customer depends on the quality of products and services offered by the life insurers. The presence of large number of life insurers offers wide variety of choice to the Indian customers who would like to invest in insurance policy. Customers are the main pillar of insurance business and therefore attracting and retaining potential customers is a crucial issue of insurance company management (Mathur. D., et.al., 2014). In India, most of the people consider insurance as an investment tool rather than risk protection. Many studies found that an agent plays a deciding role at the time of selling or influencing customer but the after sales services delivered by agents were not satisfactory as they are more interested in commission and involved in getting new business (Jain. D et.al, 2012). Chaudhary, S et.al, 2016 have conducted a study to examine various factors that affect the customer perception towards life insurance policy. Data was collected from 100 respondents belonging to selected cities of Punjab through structured questionnaire. Researcher has used factor analysis method to identify factors which are important and considered by customers at the time of investment in insurance policy. The findings of the study reveal that majority people are aware with the need of insurance and mostly invest in it for saving purpose and prefer LIC rather than private players. The high rate of premium is one of the major reasons for dissatisfaction among the policyholders (Subashini. S et.al, 2015). Average selling of life insurance policies is still low in India as compared to other foreign countries like China, Germany and UAE etc. In spite of too many players, many customers do not trust on

private insurers because of lack of trust, security and company reputation. According to Sahu. P., et.al, 2009, performed an exploratory study and tries to evaluate the underlying factor which affects the customer decision to invest in life insurance. The sample size was 150 and respondents selected from Gwalior region of Madhya Pradesh. Based on the factor analysis, they found that Company loyalty explained 35.273 percent variance and thus plays an important role in selection of Life Insurance Company at the time of investment. Competition among producers insurance companies are getting sharper. The focus of the new paradigm is not on how to make the product, but how best to meet the needs and desires of consumers (Eko Yiswa Rasti Esau, 2015). There has been a tough competition among the various life insurance companies and all are selling similar products and thus it becomes vital to focus on those factors which give more preference by the customers at the time of choosing company for policy buying (Tiwari. M., 2019). In era of digitalisation, many insurance companies are selling the products and providing services using the internet. Internet will have a cost advantage over traditional practices of selling policies and saves lot of time and money. Online sales are an innovative tool for selling insurance products, but in India this channel is not yet gain more popularity because of lack of awareness and trust (Reports of IRDA). According to (Giri. M., 2018) study reveals that demographic factors plays an important role in purchasing of any life insurance policy and income is the most dominating factor which influence majority people to invest in life insurance plan. Tax saving is the main motive behind investment in life insurance. Based on exploratory factor analysis, two factors have been identified one is hygiene and other is motivator which affect the buying decision of life insurance policyholders. Return and reliability are two hygiene factors which mainly preferred by public sector companies. On the contrary, factors like claim settlement, risk coverage, brand reputation and ease of premium payment are some motivational factors which is more or less equally preferred by both public and private sector insurance companies (Chandok., G et.al., 2018). In accordance with (Siddhartha, et. al. 2017) found that service quality, product quality, expert opinion, return on investment are some of the main factors which customers considered while choosing Life Insurance Company. Findings shows that majority customers prefer to invest in life insurance for the purpose of return followed by tax benefit and then for family risk coverage. Rajkumar et.al, 2014 tries to identify factors influencing the selection of insurance company for purchasing the policy. Findings reveals that product features, accessibility, low premium amount, advertising, proper redressal of complaints and better claim settlement are some of the factors that drastically influences the choice of a company. Mahajan et.al., 2013 conducted a study on consumer decision making process in life insurance services and ascertain that there are 5 stages i.e. need recognition, search of alternative, evaluation of alternative, purchase decision and post purchase evaluation. The insurance companies do not know the actual needs of their customers and thus they lose their potential customers. A survey was conducted on 120 respondents in Ajmer, Rajasthan. The result of factor analysis shows that online transactions, clear communication and speedy delivery of services are important factors influencing customer in choosing Life Insurance Company. Variations on the perception of choices with regard to factors will provide a useful insight to insurance companies when selecting their marketing strategies. (Mathur. et.al., 2014).

Need of the Study

Insurance plays a vital role in development of our economy and together with banking sector contributes 7% of GDP. There has been a significant growth observed after the entry of many private players along joint venture with foreign insurers. Companies are struggling hard to compete with each other and selling almost similar products to the customers. Life insurance is a people oriented business in which satisfaction of customers is utmost important to remain survive in the business. Companies are putting efforts to gain more market share through offering wide variety of innovative products and better improved customer services. Now a day's customer needs and demand are changing very fast and thus satisfying their needs is a challenging task. Customers' ability to bargain also increased as they have more choices to select a policy from different life insurance companies. Hence it is very important for the insurance companies to understand and evaluate various factors which majority of the customers considered while buying policy from any life insurance company. Therefore this present study is an attempt to explore all those factors which are critical while selecting a life insurance company from customer point of view. The survey was conducted in two main cities of Madhya Pradesh and this study will enable insurance companies in formulating effective marketing strategies which helps them to attract and retain more customers in the long run.

Objectives

1. To identify and evaluate the various factors influencing choice of investors in selecting a particular life insurance company.
2. To determine relative importance of each factor influencing customer choice towards a life insurance company.
3. To offer suggestions to improve the growth of Life Insurance Company in India.

Research Methodology:

The present study is exploratory and descriptive in nature and intended to identify and evaluate those factors which are influencing the Indian customers while selecting Life Insurance Company before policy buying decision. For this purpose, the researcher has collected the data from 150 respondents who have already owned or invested in life insurance policy and belonging to two important cities of M.P i.e. Jabalpur and Bhopal and respondents were selected through the purposive sampling method. The data collected is analyzed through descriptive and inferential statistics using mean score and factor analysis method. Self-designed structured questionnaire were used for analyzing the factors which are affecting customer's choice towards different life Insurance company. Data was collected and evaluated on the basis of five point Likert type scale, where 1 stands for strongly disagree and 5 stands for strongly agree. Ranks were assigned to different statements or variables based on their mean values. Factor analysis method was applied to identify the underlying factors which are influencing customer's choice in selection of Life Insurance Company and to understand which factor explained more to the dependent variable. The study was conducted in the period between June to September 2019 and area of study confined to only two cities

of M.P. The sample size was only 150 which are not adequate to reached to some conclusion. Hence these were some of the limitations of the current study.

Data Analysis:

The collected primary data was analyzed using both descriptive and inferential statistics. Excel 2007 and SPSS 20 software were used for analysis of data.

Table 1. Factors which Influence customer's choice for a life insurance company

S.No	Factors	Mean	
1	Company reputation or image	3.899	8
2	Wide range of products and services	3.348	13
3	No. of branches or offices in a location	3.100	15
4	Trust & Security	4.016	6
5	Policy premium price & benefits	4.958	1
6	Policy terms and conditions	4.235	4
7	Claim settlement process and time	3.657	10
8	Risk coverage and tax benefits	4.683	3
9	Customer relationship & ease of services	3.643	11
10	Website information & online transactions	3.903	7
11	Agents pre and after sales services	3.742	9
12	Mode of payment	3.549	12
13	Timely revival of lapsed policies	3.246	14
14	High rate of return on insurance products	4.956	2
15	Willingness to help customers	4.231	5

(Source: Primary data)

Interpretation: The above table no.1 shows the relative importance of factors based on their mean scores which Indian customers considered while selecting any life insurance company for policy buying decision. The values of mean score clearly reveals that product related factors like policy benefits & premium, return on insurance products, tax benefits and amount of risk coverage are some of the main influencing factors while selecting life insurance company by the Indian customers. Hence companies should focus more attention on these factors for increasing customer base and gaining competitive advantage.

Data Analysis Using Exploratory Factor Analysis

The factor analysis technique also known as data reduction method where large numbers of variables are reduced in to smaller number of measure called Factors. This method has been used in order to find out those aspects that greatly affect the customer's choice while selecting a life insurance company. A structured five point likert's based scale questionnaire has been set for this purpose containing 15 variables and these 15 variable or items are clubbed together on the bases of some common characteristics and turn down into four factors namely product features, reputation and safety, Company services and processes,

Ease of technology. The method used in the factor analysis is “Principle Component Analysis” which determines the minimum number of factors that will explained for maximum variance in the multivariate data analysis.

Table 2. Factor Extraction table

Factor Name	Variables/Items included in the Factor	% of Variance Explained	Factor Loadings
F1 (Product features)	1.Policy premium price & benefits 2.Policy terms and conditions 3.Risk coverage and tax benefits 4. Product diversity 5. Return on Insurance product	30.437 %	.895
			.723
			.805
			.790
			.870
F2 (Reputation & Safety)	1.Company reputation or image 2.Trust & Security 3. Making customer feel safe and secure	18.234	.877
			.813
			.785
F3 (Company Services & process)	1.Claim settlement process and time 2. No. of branches or offices in a location 3. Customer relationship & ease of services 4. Agents pre and after sales services 5. Timely revival of lapsed policies 6. Willingness to help customers	16.762	.723
			.569
			.670
			.666
			.592
			.774
F4 (Ease of Technology)	1.Website information & online transactions 2. Facility of various modes of payment. 3.Use of technology to serve customers effectively	12.765	.879
			.734
			.795
Total Variance Explained		78.198	

(Source: Data analyzed using SPSS 20.0 version software)

Interpretation: The result of factor analysis shows that there were 4 key factors, which were determined by clubbing the similar variables which majorly consider by Indian customers while selecting any life

insurance company during policy buying decision. Reliability test was carried out using SPSS 20 version software and the reliability of the total 15 items was measured. The results of Cronbach's Alpha 0.813 which is more than 0.7. Hence we can say that the questionnaire is highly reliable. Factor Extraction Table no. 2 given above shows the variables in each factor corresponding to the factor loading and percentage of variance. The factor loadings of all 15 items are greater than 0.5, so all variables are taken into account for the analysis. Factor loadings simply explain the correlation between the variables and the factors.

The study includes 15 variables and all these turn down into four factors. It is found from the analysis that, only 4 factors have Eigen value more than one, so only four factors are taken into account and rest with less than one Eigen value were excluded from the study. Out of these four factors, factor one (F1) is the most important and explained 30.437 percentage of variance followed by F2 (Reputation & Safety), F3 (Company services & processes) and F4 (Ease of technology) with 18.234%, 16.762% and 12.765% variance explained. The total variance explained by all these four factors together comes out to be 78.198 %. Hence it can be inferred that these four factors well explained the variance caused in the dependent variable (factor considered while selecting Life Insurance Company). The above stated factors are in the order of degree of importance i.e. factor 1 is more important than factor 2; factor 2 is more important than factor 3 and so on. The variance of factor 1 and 2 is the highest variance as compared with factor 3 and 4. This shows that product features and company reputation is more important than company services and ease of technology.

Factor 1- Product Features

In the above table all loadings of items in factor 1 are significantly high. Five variables with positive loadings are extracted on factor 1. This factor exhibits that the policy premium and price benefits (.895), policy terms and conditions (.723), Risk coverage and tax benefits (.805), product diversity (.790), return on insurance products (.870) are some of the important features which are considered while choosing Life Insurance Company. All these five variables named as Product features and benefits.

Factor-2 Reputation and Safety

In the above table all loadings of items in factor 2 are significantly high. Three variables with positive loadings are extracted in factor 2. This factor exhibits that Company reputation or image (.877), Trust & Security (.813) and Making customer feel safe and secure (.785) are some of the important attributes which are considered while choosing Life Insurance Company. All these three variables named as Reputation and Safety.

Factor-3 Company Services & Processes

In the above table all loadings of items in factor 3 are significantly high. Six variables with positive loadings are extracted in factor 3. This factor exhibits that Claim settlement process and time (.723), No. of branches and offices in a location (.569), Customer relationship and ease of services (.670), Agents pre and post sales services (.666), Timely revival of policy (.592) and Willingness to help customers (.774) are

some of the important attributes which are considered while choosing Life Insurance Company. All these six variables named as Company services and processes.

Factor-4 Ease of Technology

In the above table all loadings of items in factor 4 are significantly high. Three variables with positive loadings are extracted in factor 4. This factor exhibits that Website information and online transactions (.879), Facility of various modes of payments (.734), Use of technology to serve customers effectively (.795) are some of the important attributes which are considered while choosing Life Insurance Company. All these three variables named as Ease of Technology.

Conclusion:

Banking and Insurance are two main pillars of Indian financial system. Life insurance is a significant form of insurance and essential for every person. The primary objective of this research was to determine the factors affecting customer's choice in selection of Life Insurance Company. As per the scores of mean values and rank assigned, the most five important factors are policy premium & benefits, risk coverage and tax benefits, policy terms and conditions, trust & security, Further, the factor analysis applied on the 15 items that has been reduced into 4 key factors that are product features, reputation and safety, Company services and processes and Ease of technology. The results of factor analysis reveals that first factor product features are more important that second factor reputation and Safety followed by Customer services and processes and finally Ease of technology. The company should focus more on product features like premium price & benefits, risk coverage and tax benefits, policy terms and conditions which the customers perceive as an important aspects while choosing Life Insurance Company. Also, they should give considerable attention to factors like company reputation and Safety. Other Customer service related factors like pre and post sales services, ease of various services, claim settlement process, no. of branches in a location, mode of payment and so on. Ease of technology like Website information and facility of online transactions, Use of technology to serve customers effectively are also need to focus by the life insurance companies. In nutshell, all life insurers should think about all these factors while formulating marketing strategies in order to attract and retain the potential customers for greater market share and profits.

Significance & Future Scope of Research

Life Insurance is one of the fastest growing sectors of an economy. There have been tremendous growth witnesses after the entry of private players in the insurance market. India is a second largest country in terms of population, but the life insurance penetration is less than fifty percent which indicates that still most of the people of India are not covered by any life insurance benefits. LIC is the most trusted brand and most of the people would like to buy policy from LIC and gives less importance to private insurers. Hence it is important for companies to identify and examine those factors which effectively influenced customers while selection of any life insurance company. The present study is only confined to two areas of Madhya Pradesh with a sample size of 150 respondents. So, more research is needed in this area for better understanding of the factors which majority customers considered while choosing and particularly

private life insurance company. Further, researcher can also conduct comparative study between LIC and other private life insurers for in-depth insight of the topic.

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